DIRECT TESTIMONY OF
BRANDON S. BICKLEY
ON BEHALF OF
THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF
DOCKET NO. 2020-125-E
IN RE: APPLICATION OF DOMINION ENERGY SOUTH CAROLINA, INCORPORATED FOR ADJUSTMENT OF RATES AND CHARGES

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Brandon S. Bickley. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the South Carolina Office of Regulatory Staff ("ORS") in the Energy Operations Division as a Regulatory Analyst.

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my Bachelor of Science Degree with a major in Mechanical Engineering from the University of South Carolina in 2010. From 2010 to 2013, I was employed as a Nuclear Engineer, Reactor Fuel Safety Officer, and Shift Refueling Engineer at Norfolk Naval Shipyard. In that capacity, I performed engineering and operational duties in support of the United States Navy related to reactor servicing, reactor fuel, special nuclear material, special nuclear projects, security, and safety. From 2013 to 2017, I was employed as an Inspections, Tests, Analyses, and Acceptance Criteria ("ITAAC") Engineer with South Carolina Electric & Gas Company ("SCE&G"). In that capacity, I obtained the level of a Senior Engineer and performed ITAAC reviews and construction oversight for SCE&G. From 2017 to 2019, I was employed by Savannah River Remediation as a Senior Engineer. In that capacity, I performed systems engineering duties in support of the Defense Waste

Processing Facility for Savannah River Remediation. I began my employment with ORS as a Regulatory Analyst in July 2019.

Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA ("COMMISSION")?

A. Yes. I have previously testified before the Commission on several occasions including annual fuel proceedings, a general rate case, and an application under the Utility Facility Siting and Environmental Protection Act.

Q. WHAT IS THE MISSION OF ORS?

A. ORS represents the public interest as defined by the South Carolina General Assembly as:

> [T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer, and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?

A. The purpose of my Direct Testimony is to set forth ORS's recommendations resulting from ORS's examination and review of the following adjustments in the Application of Dominion Energy South Carolina, Incorporated ("DESC" or "Company") for Adjustments in Electric Rate Schedules and Tariffs ("Application") regarding the test year ending December 31, 2019 ("Test Year"):

- Company Adjustment #13 – To Remove Savannah River Site ("SRS") Refund Reversal Impact from Revenue
- Company Adjustment #19 – Storm Remediation Cost Deferral
- Company Adjustment #20 – Storm Damage Remediation Rider Reinstatement
- Company Adjustment #21 – Tree Trimming and Vegetation Management Accrual
- Company Adjustment #22 – Turbine Major Maintenance Accrual
- Company Adjustment #23 – V.C. Summer ("VCS") Outage Accrual
- Company Adjustment #30 – Critical Infrastructure Protection Costs Deferral

- Company Adjustment #31 – Fukushima Nuclear Regulatory Commission ("NRC") Requirements Deferral
- Company Adjustment #32 – VCS Cyber Security Deferral

Q. WAS THE REVIEW TO WHICH YOU TESTIFY PERFORMED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes, the review to which I testify was performed by me or under my supervision.

<u>Company Adjustment #13 – To Remove SRS Refund Reversal Impact from Revenue</u>

Q. PLEASE DESCRIBE DESC'S PROPOSAL FOR COMPANY ADJUSTMENT #13.

A. The Company's adjustment removes from the Test Year revenue the effect of the reversal of a prior period refund reserve related to the Company's operations and maintenance agreement of certain facilities at SRS. The effect of the Company's adjustment decreases Test Year revenue by $900,259, representing the total electric value. ORS witness Sullivan notes the total retail value of $870,000 in his Exhibit DFS-2.

Q. PLEASE DESCRIBE ORS'S REVIEW OF COMPANY ADJUSTMENT #13.

A. ORS reviewed the background and history related to this adjustment, the general scope of the facilities and services at SRS that DESC is responsible for, the general ledger and account information, the tax rate computations, and the reasoning and analysis the Company used in determining the adjustment to revenue. In addition, ORS reviewed several filings made with the United States Federal Energy Regulatory Commission ("FERC") as well as the currently effective 2015 Task Order related to the adjustment.

The original agreement between DESC and the United States Department of Energy ("DOE")/SRS included DESC agreeing to lease, for a term of 40 years, certain 115 kV transmission lines and associated substations from the DOE to facilitate DESC's provision of retail service to SRS, and to operate and maintain the leased facilities over the term of the lease pursuant to a series of FERC Task Orders with each new agreement replacing the prior agreement: a 1995 Task Order, a 2006 Task Order, and the currently effective 2015 Task Order. In early 2019, but prior to filing its 2018 financial statements, Company personnel became aware of a potential refund obligation to the 1995 agreement between DESC and the DOE. Although the primary purpose of the leased facilities is to support DESC's retail electric service to the DOE at SRS, DESC concluded that the transmission lines and some of the substation facilities subject to the lease perform a transmission function for DESC. The Company identified that because the SRS lease gives DESC control over transmission facilities, DESC concluded that it likely should have secured FERC approval of the SRS lease pursuant to Section 203 of the Federal Power Act.[1]

On June 13, 2019, DESC filed a Late-Filed 2015 Task Order and Refund Analysis for acceptance with FERC, pursuant to Section 205 of the Federal Power Act. DESC identified that under the FERC's Prior Notice orders, utilities must refund to customers the time value of payments where a utility provided service prior to receiving FERC acceptance of the agreement. DESC determined an estimated revenue refund reserve of $900,259 was required to be reflected on the Company's books and records. The Company identified that the reserve was subsequently adjusted (increased) to add additional revenue in March of 2019 and further adjusted again in June of 2019. On August 8, 2019 and at the request of FERC staff, DESC filed a Motion to Withdraw the 2015 Task Order filing and Refund Analysis. The Company reversed the cumulative balance of the refund reserve in August 2019. The addition to the reserve in the months of March and June of 2019 were offset by the reversal of the reserve recorded in August, having no impact on 2019 revenue

[1] Response to ORS Request 6-14.

or interest expense related to these amounts. However, the reversal of the $900,259 reserve recorded in December 2018 resulted in a net credit to Operating Revenue of $900,259. Since the reversal of the 2018 reserve resulted in a net credit to Operating Revenue in 2019 that was not related to Test Year activity, a pro forma adjustment was necessary to remove its impact from Test Year results.[2]

Q. DOES ORS ACCEPT THE COMPANY'S PROPOSAL REGARDING COMPANY ADJUSTMENT #13?

A. Yes. ORS agrees with the Company's proposed treatment to remove the SRS refund reversal impact from Test Year Operating Revenue to accurately reflect the accounting for this type of transaction.

<u>Company Adjustment #19 – Storm Remediation Cost Deferral</u>

Q. PLEASE DESCRIBE DESC'S PROPOSAL FOR COMPANY ADJUSTMENT #19.

A. The Company proposes to recover from customers $43,899,686 in deferred storm damage remediation costs over a five (5) year period.[3]

Q. PLEASE DESCRIBE ORS'S REVIEW OF COMPANY ADJUSTMENT #19.

A. ORS reviewed the total annual storm costs incurred by DESC from 2010 through August of 2020, prior Commission orders and testimony associated with storm costs, and the impact the proposed five (5) year amortization period and various other amortization periods would have on customers. The ORS Audit Department reviewed and sampled costs included in the deferral account. The results of the ORS Audit review are included in the Direct Testimony of ORS witness Briseno.

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[2] Response to ORS Requests 6-14, 6-15, and 6-16.
[3] Direct Testimony of Keith C. Coffer, Jr., page 17, line 18 and page 18, lines 1-2.

Q. PLEASE DESCRIBE ORS'S RECOMMENDATIONS REGARDING THE AMORTIZATION PERIOD OF COMPANY ADJUSTMENT #19.

A. ORS recommends an amortization period of ten (10) years versus the Company's proposed period of five (5) years. A ten (10) year amortization period for these costs is a reasonable recommendation for several reasons. First, the recommendation to extend the amortization period recognizes the current, difficult economic impact of COVID-19 on DESC's customers. To that point, ORS's recommendation to extend the amortization period would lower the annual impact to customers by 50% reducing the immediate financial impact to customers. However, ORS recognizes this recommendation to lengthen the amortization period will allow the Company to earn a return for a longer period of time increasing the overall net impact to customers. This trade-off is worth consideration by the Commission for the short-term benefit of providing customers with rate relief during COVID-19. Second, the ORS recommendation aligns with the Company's proposal for Adjustment #31, Fukushima NRC Requirements Deferral, which included a request by the Company for a ten (10) year amortization period. Finally, the Company requested to suspend or discontinue collections for the Storm Damage Remediation Rider ("Storm Rider") in 2010 per Commission Order No. 2010-471 making a ten (10) year amortization period align with the time in which collections for the Storm Rider were suspended. ORS witness Briseno addresses the financial impacts of this adjustment in his Direct Testimony.

Company Adjustment #20 – Storm Damage Remediation Rider Reinstatement

Q. PLEASE DESCRIBE DESC'S PROPOSAL FOR COMPANY ADJUSTMENT #20, STORM DAMAGE REMEDIATION RIDER REINSTATEMENT.

A. The Company requests to reinstate collections from customers to support the Storm Rider to offset future incremental storm restoration and response costs in excess of $2.5 million. The Company does not propose an annual cap for collections of the proposed Storm Rider, but instead proposes to collect from customers approximately $9.8 million in annual collections and use this value as the basis for the establishment of the Storm Rider. The Company clarified in discovery that the total amount of funds collected from customers and recorded Storm Rider reserve account will be capped at $100 million pursuant to Commission Order No. 2007-680. The Company also requests Commission authorization to defer and record incremental storm costs (in excess of the $2,500,000) that exceed the balance of the Storm Rider reserve account as a regulatory asset and to include the regulatory asset as a component of the Company's rate base. The Company does propose to treat the Storm Rider as a decrease to rate base.[4]

Q. PLEASE EXPLAIN HOW THE COMPANY DETERMINED THE PROPOSED ANNUAL AMOUNT OF $9.8 MILLION FOR THE STORM RIDER.

A. The Company identifies in its Application as well as in the Direct Testimonies of witnesses Kissam and Coffer that the $9.8 million in annual collections is based on the average incremental storm restoration costs for the five (5) year period of 2014-2019.[5]

Q. PLEASE EXPLAIN HOW THE $2.5 MILLION DESCRIBED EARLIER FACTORS INTO THE USE OF THE PROPOSED STORM RIDER.

A. The $2.5 million amount was established pursuant to Commission Order No. 1996-15 to act as a threshold for incremental storm costs. Pursuant to Commission Order No.

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[4] Direct Testimony of Keith C. Coffer, Jr., page 18, lines 7-20 and page 19, lines 1-2. Direct Testimony of W. Keller Kissam, page 61, lines 4-21 and page 62, lines 1-2. Response to ORS Request 3-19.
[5] Direct Testimony of Keith C. Coffer, Jr., page 18, lines 12-14. Response to ORS Requests 3-16, 3-24, and 3-26.

1996-15, the first $2.5 million of annually incurred storm damage restoration costs would not be applied against the Storm Rider. Instead, these costs would be treated as ordinary expenses of utility operations. The Company includes the $2.5 million in storm damage restoration costs in operating expenses which is recovered from customers through base rates and is not directly offset against the reserve. Once the $2.5 million annual storm damage restoration cost expense threshold is exceeded, the Company will draw from the balance of the Storm Rider reserve account for any incremental storm damage restoration costs, and these costs would not be recorded as ordinary utility operating expenses.[6]

Q. PLEASE EXPLAIN HOW THE PROPOSED STORM RIDER WILL BE REFLECTED ON CUSTOMER BILLS.

A. The Storm Rider is based on a customer's volumetric electric service usage, or per kilowatt-hour ("kWh"). The Storm Rider proposed by the Company is not a surcharge or separate charge identified on a customer's monthly billing statement but included in calculations of the per kWh component of a customer's bill. The Storm Rider is allocated differently depending on what rate schedule a customer selects to receive electric service. For example, as shown in the Company's redlined portion of its Application, for Rate 8 (Residential Service), a customer would be charged $0.00061 per kWh for the Storm Rider. The Company relies upon the Cost of Service study to allocate costs to different rate classes or schedules which is the reason why the Storm Rider differs for each customer rate schedule.[7]

The Company stated that the Storm Rider component would be embedded within the volumetric energy per kWh charges shown on each rate schedule and therefore would

[6] Response to ORS Request 5-34.
[7] Response to ORS Requests 2-2, 2-20, 2-37, and 3-25. Company Application, Exhibit B, page 14 of 129.

not be shown as a separate line item on Company bills. This is consistent with the Company's treatment of the Storm Rider since its inception. In order for a customer to determine the amount applicable to their bills for the Storm Rider component, customers would have to examine the "Storm Damage Component" provision on their respective rate schedule and calculate the Storm Rider component amount based on their usage. The Company indicated that it would not include a special bill message pertaining to the Storm Rider at this time.[8]

Q. PRIOR TO THE STORM RIDER COLLECTIONS BEING SUSPENDED, WHAT WAS THE MAXIMUM FUNDING LEVEL EXPERIENCED BY THE COMPANY IN THE STORM RIDER RESERVE ACCOUNT?

A. ORS determined the maximum funding amount reached in the Storm Rider reserve account, prior to collections being suspended, was $48,983,315 as of the end of 2007 and the beginning of 2008.[9]

Q. DOES THE COMPANY'S PROPOSAL FOR THE STORM RIDER ALLOW INTEREST TO ACCRUE ON THE MONEY COLLECTED FROM CUSTOMERS?

A. No. The Company's proposal for the Storm Rider does not include the accrual of interest on customer's money held by the Company. The Company does not anticipate that the Storm Rider funds would be held in a separate bank account. The Storm Rider collections would be used to establish a regulatory liability.[10]

Q. PLEASE EXPLAIN ORS'S RECOMMENDATIONS REGARDING THE PROPOSED STORM RIDER.

[8] Response to ORS Request 3-15.
[9] Response to ORS Requests 3-24 and 11-7.
[10] Response to ORS Request 3-21.

A. ORS does not object to a Storm Rider and an associated reserve account which contains sufficient customer protections, supports continued service reliability, and contains reasonable guidelines for how the Storm Rider is managed by the Company. Storm damage restoration costs are typically entitled to recovery through customer rates. The Commission ruled in Order No. 1996-15 that "such recovery would be imposed on ratepayers at a time when they themselves would also be recovering from the effects of such a storm." The Commission found that the Storm Rider mechanism as proposed in Docket No. 1995-1000-E was reasonable and prudent to mitigate the risk on customers. However, careful consideration should be given to the risks for customers when the Company requests pre-payment of any expense.

The Company's current proposal lacks sufficient customer protections to safeguard the advance payments by customers to the Company and ensure customers receive high-quality and reliable service. To ensure transparency for customers and to recognize the current economic challenges that customers are facing during the COVID-19 pandemic, ORS recommends that the proposed Storm Rider be modified to include the following customer protections:

1. Storm Rider annual collections should be capped at an annual collection of $5 million instead of the $9.8 million proposed by the Company.
2. Storm Rider collections from customers should not exceed $5 million in any twelve-month period.
3. The total aggregate balance of the Storm Rider reserve account should be limited to $50 million instead of the $100 million requested by the Company.

4. The Company should provide to the Commission and ORS a detailed quarterly report on how funds withdrawn from the Storm Rider reserve account are utilized by the Company to support storm restoration efforts. The quarterly report should include, at a minimum, the following information: the current balance of the Storm Rider reserve account, the total aggregate costs and expenses per storm restoration event, the type of storm or weather event (example: thunderstorm, flood, ice storm, a named storm such as a hurricane), and the impact of the weather event on the Company's system including a summary of the types of restoration and repairs made by the Company. The Storm Rider report shall be included in the quarterly financial reports already provided by the Company to the Commission and ORS.
5. The Company should not withdraw or otherwise use the funds received from customers to support the Storm Rider without prior approval from the Commission to pay for: 1) insurance premiums; 2) the Company's expenses related to routine vegetation management; 3) rate impact mitigation; or 4) other costs or expenses incurred by the Company that are unrelated to storm damage restoration costs.
6. The customer contributions to the Storm Rider reserve account should be reduced by any payments received by the Company from settlement or recovery amounts received from insurance carriers for claims related to weather events.
7. The Storm Rider reserve account should be recorded on the books and records of DESC. The Storm Rider reserve account should not be recorded by an affiliate, parent or holding company, and it should not be combined with any other funds.

8. The Storm Rider reserve account should earn carrying costs for customers. Similar to the Company's various deferrals that accrue carrying costs, carrying costs should be included in the calculation of the Storm Rider.
9. Collections from customers for the Storm Rider should begin no earlier than June 1, 2021.

Q. PLEASE EXPLAIN WHY ORS'S MODIFICATIONS TO THE STORM RIDER ARE REASONABLE.

A. Overall, ORS's modifications to the Company's Storm Rider are reasonably designed to improve transparency, support continued service reliability, and provide guidelines as to how the Storm Rider should be operated by the Company. In addition, ORS's modifications recognize the difficult economic challenges faced by customers due to COVID-19. ORS's recommendations are designed to reduce the financial impact on customers and the need to mitigate future rate impacts of storm damage restoration costs. ORS's proposed modifications to the Storm Damage Component calculations are addressed in ORS witness Seaman-Huynh's Direct Testimony and his Exhibit MSH-3. I will explain ORS's proposed modifications in greater detail.

1) Limit annual collections from customer by $5 million.

The ORS recommendation to limit customer collections to $5 million annually is reflective of the initial terms of the Storm Rider as approved in Commission Order No. 1996-15. With ORS's modification, the Company will have an opportunity to recover approximately $7.5 million on an annual basis toward storm damage expenses incurred in any given year ($2.5 million through the volumetric per kWh rate and $5 million through the Storm Rider reserve account). The Company's proposal to collect approximately $9.8

million from customers for the Storm Rider is not reflective of the Company's actual incurred historical storm costs. ORS reviewed Company data for the storm costs from 2010 until August of the current year provided by the Company. Using the last ten (10) years of storm costs as a base (2011-2020) and removing the highest and lowest values as extremes, the average of the eight (8) remaining years is approximately $8.1 million. If the same calculation is performed for the past ten (10) years using the end of the Test Year (2010-2019), the average is approximately $8.0 million. Compared to a total of $7.5 million annually as recommended by ORS, the Company's actual historic storm cost experience aligns with the original Commission order creating the Storm Rider.

2) Storm Rider collections not to exceed $5 million in a given twelve-month period.

ORS's modification to suspend collection from customers once the Company collects $5 million in a twelve-month period is reasonable. The Company should not be allowed to over-collect from customers at any time and suspension of collections when the $5 million annual "cap" is reached will safeguard against excess customer money being held by the Company for long periods of time.

3) Reduce the total amount to be collected from customers to $50 million.

The Company's request for a $100 million Storm Rider reserve account is neither reasonable nor justified. Commission Order No. 2007-680 increased the cap from $50 million to $100 million based on a Risk and Solvency Study when the reserve account balance was approximately $47.6 million. The reason for the increase was to allow payment for a $95 million deductible on an insurance policy the Company had at the time. The Company has since allowed, and the Commission approved, that specific insurance policy to lapse (Commission Order No. 2012-951). The Risk and Solvency Study is also no longer applicable, and the Company has not provided reasonable justification to reinstate the Storm Rider reserve account cap of $100 million. The original Commission Order No. 1996-15 established the Storm Rider reserve account at $50 million which is still a reasonable level given the actual expense incurred by the Company has not historically exceeded $50 million. The highest dollar amount the Storm Rider reserve account reached during its existence was $48,983,315 in 2007 and 2008.[11]

4) Reporting requirement.

It is both prudent and reasonable for the Commission to require the Company to regularly report on the status of the Storm Rider reserve. This ORS recommendation will assist customers to better understand how the funds advanced to the Company for storm damage costs are used by the Company, the impact of each storm or weather event on the Company's system and facilities and increase Company transparency and accountability.

5) Limits on use of the Storm Rider reserve account.

The Storm Rider reserve account should only be used for those expenses related to storm damage restoration. ORS's recommendation to require the Company to request approval from the Commission prior to withdrawing funds from the Storm Rider for any other purpose is a reasonable safeguard to ensure the Storm Rider operates for its intended purpose.[12]

6) Other ORS Modifications – insurance, local control, and implementation date.

The customers should receive the benefit of any settlement or recovery amounts from insurance carriers related to storm damage claims. ORS's recommendation to reduce

[11] Responses to ORS Requests 3-24, 4-19, and 11-7. Commission Order No. 2012-951.
[12] Responses to ORS Request 4-19. Commission Order Nos. 2007-680, 2009-87, 2009-845, 2011-126, 2010-471, 2012-951, and 2014-381.

the Storm Rider reserve account by those settlement or recovery amounts is reasonable because it ensures the customers benefit from any insurance recovery amounts in a timely manner through the Storm Rider which can be adjusted by the Company independent of a general rate proceeding.

It is reasonable to require the management and accounting of the Storm Rider to reside with the entity regulated by the Commission. DESC customers expect decisions to be made locally and with Commission approval. To balance the risk of allowing DESC to retain large sums of customers money, ORS recommends that the Storm Rider reserve account should earn carrying costs for the benefit of the customer. The Company expects to be compensated for the time value of money similar to its deferrals, and the customer should receive similar recognition that their money should earn carrying costs. Finally, COVID-19 has created economic hardships for DESC's customers and implementation of the Storm Rider should be delayed allowing customers an opportunity to overcome immediate financial challenges.

These recommendations are incorporated by the ORS Audit Department and are reflected in the adjustments in the Direct Testimony of ORS witness Briseno.

Company Adjustment #21 – Tree Trimming and Vegetation Management Accrual

Q. PLEASE DESCRIBE DESC'S PROPOSAL FOR COMPANY ADJUSTMENT #21, TREE TRIMMING AND VEGETATION MANAGEMENT ACCRUAL.

A. The Company is requesting Commission approval to establish a Tree Trimming and Vegetation Management ("Accrual"). The Company's proposal includes a request to levelize tree trimming and vegetation management costs and customer collections over a five (5) year operating cycle. If approved, the Company's proposal includes that any difference between accrued amounts and actual costs incurred will be deferred as a regulatory asset (under-collection) or regulatory liability (over-collection) as appropriate. The Company will true-up any under-collected or over-collected balance at the end of the five (5) year accrual period would be considered in setting the accrual for the subsequent operating cycle. During the Test Year, the Company spent approximately $24.1 million on vegetation management with a projected increase of $3.5 million on average over the next five (5) years. It should be noted that the $24.1 million is the adjusted amount after DESC removes the hourly work that was identified in discovery. This results in a $27.6 million annual accrual to be reflected in rates by the Company.[13]

Q. PLEASE DESCRIBE ORS'S REVIEW OF THE PROPOSED ACCRUAL.

A. ORS reviewed the Company's current and projected work plans, action plans, DESC's actual and projected costs, and other analyses and justifications related to tree trimming and vegetation management. ORS also reviewed whether any other utilities or if Dominion Energy, Incorporated's ("Dominion Energy") other affiliates or subsidiaries utilize a tree trimming and vegetation management accrual or an equivalent. Additionally, ORS reviewed the total amount budgeted for tree trimming and vegetation management over the past five (5) years, the distribution and transmission miles that were planned to be cleared as compared to the miles that were actually cleared over the past five (5) years, and the distribution and transmission miles that are planned to be cleared for the next five (5) years.

ORS determined that tree trimming and vegetation management expenses were included in the Company's cost of service in prior rate cases and that the Company's last

[13] Direct Testimonies of Keith C. Coffer, Jr., page 19, lines 4-21 and W. Keller Kissam, page 60, lines 1-20. Response to ORS Request 4-5.

general rate proceeding utilized a calendar year 2011 test period. ORS also found that no other Dominion Energy affiliates or subsidiaries utilize a similar accrual process. The Company noted that it has not performed research specific to other utilities' handlings of tree trimming and vegetation management costs. ORS's review of work plans, action plans, procedures, guidelines, and other similar documents showed that while the Company does utilize an action plan, the plan itself does not require activities to be completed within a twelve-month period (i.e., it is not strictly annual). The Company identified it as an ongoing roster of tree trimming and vegetation management activities that follows a regular and established trim cycle. ORS's review yielded no adjustments to the actual and projected costs as well as the work performed and the projected work forecasts for tree trimming and vegetation management with one exception. ORS witness Briseno has a recommendation related to the hourly work that was excluded from the Company's adjustment. The Company identified this as hourly work attributable to vegetation management and was removed from the Test Year actuals as it represents non-cyclical work done outside of the normal five (5) year cycle trimming schedule. The Company stated that this was classified as work that is "as-needed" which included activities such as the removal of dead trees, fallen trees or broken branches and the clearing of vines that are observed growing into lines. The Company noted that the unpredictability of this work was another reason for not including the costs in the Accrual.[14]

Q. PLEASE DESCRIBE ORS'S RECOMMENDATIONS REGARDING THE PROPOSED ACCRUAL.

[14] Responses to ORS Requests 4-5, 4-6, 5-36, 5-40, 5-41, 5-42, 5-44, 5-45, 6-20, 6-21, 6-22, and 11-9.

A. ORS does not object to an Accrual which contains sufficient customer protections, improves service reliability through performance, and includes reasonable procedures. The Company's current proposal can be improved, and ORS's modifications will provide customer protections and improve transparency. ORS recommends that the Accrual be modified to include the following customer protections:

1. The Accrual should be benchmarked to performance indices (System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI)) and, at a minimum, reflect commitments made by the Company that "Dominion Energy shall maintain South Carolina Electric & Gas's customer service at no less than current levels..." as noted in Commission Order No. 2018-804(A).[15]
2. The Company should report on the miles of transmission and distribution that are cut, sprayed, and maintained as part of the tree trimming and vegetation management work plan on a quarterly basis.
3. The Company should report on Accrual fund balance on a quarterly basis.
4. The Company should develop and provide to the Commission and ORS an annual action plan for the next twelve-month period by no later than December 31 of each year for all planned transmission and distribution miles to be maintained. The annual action plan should include, but is not limited to: 1) estimated costs for implementation; 2) estimated transmission and distribution miles to be maintained; and 3) an update on actual Company activities comparing the actual costs and miles maintained compared to the projected costs and miles maintained from the current twelve-month period.

[15] Commission Order No. 2018-804(A), page 102, section H., Service Quality.

5. The Accrual is to be used for tree trimming and vegetation management and should be recorded on the books and records of DESC.

Finally, ORS witness Briseno recommends an adjustment related to the hourly work that was excluded from the Company's adjustment. These costs constitute work that was performed for tree trimming and vegetation management. The exclusion of work such as the removal of dead trees, fallen trees, broken branches, and the clearing of vines that are observed growing into lines seems unreasonable since this constitutes the kind of work that the proposed accrual is meant for. The trimming of dead tress is outlined in DESC's "Line Clearing Specification" documents and its "NERC Reliability Standard FAC-003" document that were provided in discovery.[16]

Company Adjustment #22 – Turbine Major Maintenance Accrual

Q. PLEASE DESCRIBE DESC'S PROPOSAL FOR COMPANY ADJUSTMENT #22, TURBINE MAJOR MAINTENANCE ACCRUAL.

A. The Company requests to extend the Turbine Major Maintenance Accrual for another eight (8) year cycle spanning from January 1, 2021 to December 31, 2028. The Company proposes an annual accrual amount of $29,052,493.[17]

Q. PLEASE DESCRIBE ORS'S REVIEW OF THE TURBINE MAJOR MAINTENANCE ACCRUAL.

A. ORS reviewed the Test Year adjustment calculations and financial impact, the Company's justification for the increase of over $10.6 million in maintenance costs, how DESC's work related to maintenance and inspections have changed for both natural gas and other types of generating units utilized by DESC, and how these changes impact

[16] Response to ORS Request 11-9.
[17] Direct Testimonies of Keith C. Coffer, Jr., page 20, lines 12-17 and W. Keller Kissam, page 64, lines 6-11.

incurred costs. ORS reviewed the maintenance and outage schedules that included work plan information for the units associated with Turbine Major Maintenance from 2020 through 2030. ORS also reviewed Turbine Major Maintenance Accrual expenditure projections and forecasts for DESC, South Carolina Generating Company, Inc. ("GENCO"), the Columbia Energy Center ("CEC"), and the combined projections. Additionally, ORS reviewed contingency costs DESC included in the budgets and work plans for the Turbine Major Maintenance Accrual. ORS also reviewed prior Commission orders and testimony associated with the Turbine Major Maintenance Accrual.

The Turbine Major Maintenance Accrual is associated with the Wateree, Williams, McMeekin, Cope, Urquhart, and Jasper Stations. CEC was added to the accrual per Commission Order No. 2019-393. The combustion turbines and associated steam turbines for the combined-cycle units at CEC, Jasper, and Urquhart Stations are on original equipment manufacturer prescribed maintenance intervals that are driven by formulaic combination of hours of operation and number of startups and shutdowns, among other factors. In the past, DESC's combined-cycle fleet operated with lower capacity factors and more frequent startups and shutdowns. With the decline of coal-fired generation in favor of more natural gas-fired generation, the combined-cycle units are operating at higher capacity factors with fewer startups that result in more operating hours per year. This shift in operation has led to more frequent maintenance intervals on the combined-cycle units due to their more frequent dispatch and higher annual hours of operation, as identified by DESC.[18]

[18] Response to ORS Request 6-24.

With regards to CEC, it was acquired by DESC in 2018 and was previously under a long-term power purchase agreement with DESC, and the maintenance costs for this facility were not previously accounted for in the prior Commission orders. In Commission Order No. 2019-393, DESC did not request an adjustment to the levelized accrual amount in base rates at the time of the order's approval and instead chose to address it in this rate proceeding. The addition of the CEC to the DESC fleet and its associated maintenance costs is a primary driver for the increase to the Turbine Major Maintenance Accrual. CEC has been at the top of the Company's merit dispatch due to its high efficiency, availability/reliability, and relatively low natural gas prices. The dispatch of this facility puts it on a similar maintenance trajectory as Jasper and Urquhart Stations.[19]

For other units on the DESC system, the maintenance intervals for large steam turbine-generators are also generally driven by hours of operation (i.e., Wateree, Williams, Cope, McMeekin, and Urquhart Steam Unit 3). While these units have seen some declines in annual hours of operation, they have not yet declined to the point of significantly shifting the maintenance overhaul cycles. DESC has stated that it continues to monitor the annual hours of operation for these units and will adjust their maintenance overhaul schedules as necessary and prudent in the future.[20]

ORS reviewed the maintenance and outage schedules of the units identified under the Turbine Major Maintenance Accrual, the type of work to be performed per the schedule (i.e., preventative maintenance, turbine work, exciter work, generator bearing work, etc.), and the time intervals from 2020 to 2030. In addition, ORS reviewed the Turbine Major Maintenance Accrual expenditure projections and forecasts for DESC, GENCO, the CEC,

[19] Response to ORS Request 6-24 and Commission Order No. 2019-393.
[20] Response to ORS Request 6-24.

and the combined projections that included the information for all three (3) for the period 2020 through 2028. ORS determined that the maintenance and outage schedules and the forecasted budgets for turbine maintenance were reasonable and supported by DESC.

ORS's review of Turbine Major Maintenance Accrual contingencies determined that the Company does not include any "contingency" costs in the budgets and work plans regarding the Turbine Major Maintenance Accrual. The Company noted that estimated and future costs are based on service contracts and a true-up of actual costs would occur in future rate proceedings.[21]

Q. PLEASE DESCRIBE ORS'S RECOMMENDATIONS REGARDING THE TURBINE MAJOR MAINTENANCE ACCRUAL.

A. ORS does not object to the Company's proposal for the Turbine Major Maintenance Accrual, specifically with the proposal to extend for another eight (8) year cycle from January 1, 2021 to December 31, 2028 at an annual accrual amount of $29,052,493. One of the main reasons for the increase in costs associated with the Turbine Major Maintenance Accrual is the addition of the CEC facility to the DESC fleet. Additionally, the decline in coal-fired generation in favor of more natural gas-fired generation has led to the combined-cycle units operating at higher capacity factors with fewer startups resulting in more operating hours per year. This has led to more frequent maintenance intervals on the combined-cycle units due to their more frequent dispatch and higher annual hours of operation.

[21] Response to ORS Request 11-10.

<u>Company Adjustment #23 – VCS Outage Accrual</u>

Q. PLEASE DESCRIBE DESC'S PROPOSAL FOR COMPANY ADJUSTMENT #23, VCS OUTAGE ACCRUAL.

A. The Company requests to extend the currently approved VCS Outage Accrual (Docket Nos. 2012-218-E and 2020-172-E) for another five (5) outage cycle that would include refueling outages twenty-six (26) through thirty (30) (RF-26 through RF-30). The extension would cover the time period of July 2020 through December 2027 based on the current outage schedule. The Company has included the under-collected balance of $3,156,176 as well as the estimated costs of refueling outages twenty-six (26) through thirty (30) of $126,247,392 into its proposal for the new accrual amount.[22]

Q. PLEASE DESCRIBE ORS'S REVIEW OF THE VCS OUTAGE ACCRUAL.

A. ORS reviewed the Test Year pro forma adjustment calculations and their financial impact as well as outage estimates for refueling outages twenty-six (26) through thirty (30). ORS also reviewed work plan details and detailed outage information for outages twenty-six (26) through thirty (30). Additionally, ORS reviewed information related to the projected $1,000,000 in projected contingency costs for each outage. Regarding the five (5) most recent outages at VCS, ORS reviewed the significant work performed, a breakdown of costs based on the budgeted amounts, maintenance and inspection frequencies, the dates and durations, and contingency related costs and information. Another area of ORS's review included how VCS now being a part of the larger Dominion Energy nuclear fleet has impacted projected plant outage costs.

[22] Direct Testimony of Keith C. Coffer, Jr., page 21, lines 11-20.

In its review, ORS determined DESC correctly calculated the adjustment and the outage estimates for refueling outages twenty-six (26) through thirty (30). The projected major work items, maintenance, and inspections aligned with prior outage schedules along with the intervals at which historical major work items, maintenance, and inspections are performed. Projected costs aligned with prior scheduled outages and expectations for the forecasts. The revised accrual rate represented an increase of $71,341 per year as compared to the current accrual rate. It should be noted that projected outage durations show a visible decrease as compared to prior outage durations.[23]

The refueling outage durations are expected to be much shorter as VCS aligns with Dominion Energy's nuclear fleet. The Company's expectation is that all sites work toward a twenty-six (26) day refueling outage schedule, regardless of outage work scope with exceptions being approved by Senior Executives. In order to accomplish these shorter outage durations, the Company has adopted strict controls over outage scope to ensure all outage work can be completed within the scheduled duration. Prior to integration with Dominion Energy's fleet, VCS had projected outage durations of approximately thirty-five (35) to forty (40) days, and large projects excluded, outage costs are approximately $1,000,000 per day. Effectively, shorter outages and outage periods should result in less cost to the Company and the customers.[24]

Q. PLEASE DESCRIBE ORS'S RECOMMENDATIONS REGARDING THE VCS OUTAGE ACCRUAL.

A. ORS does not object to the Company's proposal to extend the VCS Outage Accrual for another five (5) outage cycle that would include refueling outages twenty-six (26)

[23] Response to ORS Requests 1-5, 6-26, and 6-27.
[24] Response to ORS Request 6-28.

through thirty (30) and DESC's proposal for the new accrual amount to include the under-collected balance of $3,156,176 as well as the estimated costs of refueling outages twenty-six (26) through thirty (30) of $126,247,392 with the exception of contingency costs.

ORS recommends removal of the contingency costs identified by DESC totaling $5,000,000 ($1,000,000 per outage) as shown in the Direct Testimony of ORS witness Briseno. The Company does not provide support or justification for the contingency costs. The contingency costs are based on events that may or may not occur and are not, therefore, "known and measurable."

Company Adjustment #30 – Critical Infrastructure Protection Costs Deferral

Q. PLEASE DESCRIBE DESC'S PROPOSAL FOR COMPANY ADJUSTMENT #30, CRITICAL INFRASTRUCTURE PROTECTION COSTS DEFERRAL.

A. The Company requests to recover $24,579,421 for incremental costs to comply with critical infrastructure protection reliability standards promulgated by the FERC over a five (5) year period.[25]

Q. PLEASE DESCRIBE ORS'S REVIEW OF COMPANY ADJUSTMENT #30.

A. ORS reviewed prior Commission orders and testimony, the effect the proposed and alternate amortization periods would have on customers, and the ORS Audit Department reviewed samples of the costs included in the deferral itself as noted in the Direct Testimony of ORS witness Briseno.

Q. PLEASE DESCRIBE ORS'S RECOMMENDATIONS REGARDING COMPANY ADJUSTMENT #30.

[25] Direct Testimony of Keith C. Coffer, Jr., page 24, lines 13-14 and line 17.

A. ORS recommends an amortization period of ten (10) years versus the Company's proposed period of five (5) years. A ten (10) year amortization period for these costs is a reasonable recommendation for two reasons. First, the recommendation to extend the amortization period recognizes the current, difficult economic impact of COVID-19 on DESC's customers. To that point, ORS's recommendation to extend the amortization period would lower the annual impact to customers by 50% reducing the immediate financial impact to customers. However, ORS recognizes this recommendation to lengthen the amortization period will allow the Company to earn a return for a longer period of time increasing the overall net impact to customers. This trade-off is worth consideration by the Commission for the short-term benefit of providing customers with rate relief during COVID-19. Second, the ORS recommendation aligns with the Company's proposal for Adjustment #31, Fukushima NRC Requirements Deferral, which included a request by the Company for a ten (10) year amortization period. ORS witness Briseno addresses the financial impacts of this adjustment in his Direct Testimony.

<u>Company Adjustment #31 – Fukushima NRC Requirements Deferral</u>

Q. PLEASE DESCRIBE DESC'S PROPOSAL FOR COMPANY ADJUSTMENT #31, FUKUSHIMA NRC REQUIREMENTS DEFERRAL.

A. The Company requests to recover $4,500,000 in incremental costs incurred by the Company to comply with requirements promulgated by the NRC as a result of the earthquake and tsunamis experienced at Tokyo Electric Power Company's Fukushima Daiichi nuclear power station over a ten (10) year period. Additionally, the Company requests that the Commission affirm the Company's position that further quarterly status reports are no longer required.[26]

Q. PLEASE DESCRIBE ORS'S REVIEW OF COMPANY ADJUSTMENT #31.

A. ORS reviewed prior Commission orders and testimony, the effect the proposed and alternate amortization periods would have on customers, and the ORS Audit Department reviewed samples of the costs included in the deferral itself as noted in the Direct Testimony of ORS witness Briseno.

Q. DOES ORS RECOMMEND ANY CHANGES TO THE COMPANY'S PROPOSAL REGARDING COMPANY ADJUSTMENT #31?

A. Not to the overall costs and balances which ORS found to be reasonable in its review. ORS also agrees with the Company's position that further quarterly status reports are no longer required due to no additional costs being incurred. ORS witness Briseno discusses ORS's position regarding classification of the amortization of the deferral.

<u>Company Adjustment #32 – VCS Cyber Security Deferral</u>

Q. PLEASE DESCRIBE DESC'S PROPOSAL FOR COMPANY ADJUSTMENT #32, VCS CYBER SECURITY DEFERRAL.

A. The Company requests to recover $8,622,108 of incremental costs incurred by the Company to comply with cyber security regulations promulgated by the NRC over a five (5) year period. Additionally, the Company requests that the Commission eliminate the quarterly reporting requirement.[27]

Q. PLEASE DESCRIBE ORS'S REVIEW OF COMPANY ADJUSTMENT #32.

[26] Direct Testimony of Keith C. Coffer, Jr., page 25, lines 3-6 and lines 10-16.
[27] Direct Testimony of Keith C. Coffer, Jr., page 25, lines 19-21 and page 26, lines 4-8.

A. ORS reviewed prior Commission orders and testimony, the effect the proposed and alternate amortization periods would have on customers, and the ORS Audit Department reviewed samples of the costs included in the deferral itself as noted in the Direct Testimony of ORS witness Briseno.

Q. PLEASE DESCRIBE ORS'S RECOMMENDATIONS REGARDING COMPANY ADJUSTMENT #32.

A. ORS recommends an amortization period of ten (10) years versus the Company's proposed period of five (5) years. A ten (10) year amortization period for these costs is a reasonable recommendation for two reasons. First, the recommendation to extend the amortization period recognizes the current, difficult economic impact of COVID-19 on DESC's customers. To that point, ORS's recommendation to extend the amortization period would lower the annual impact to customers by 50% reducing the immediate financial impact to customers. However, ORS recognizes this recommendation to lengthen the amortization period will allow the Company to earn a return for a longer period of time increasing the overall net impact to customers. This trade-off is worth consideration by the Commission for the short-term benefit of providing customers with rate relief during COVID-19. Second, the ORS recommendation aligns with the Company's proposal for Adjustment #31, Fukushima NRC Requirements Deferral, which included a request by the Company for a ten (10) year amortization period. ORS witness Briseno addresses the financial impacts of this adjustment in his Direct Testimony.

ORS agrees with the Company regarding the subject of quarterly reporting and that quarterly reports are no longer necessary due to no additional costs being incurred. ORS witness Briseno addresses the financial impacts of this adjustment in his Direct Testimony.

Q. WILL YOU UPDATE YOUR DIRECT TESTIMONY BASED ON INFORMATION THAT BECOMES AVAILABLE?

A. Yes. ORS fully reserves the right to revise its recommendations via supplemental testimony should new information not previously provided by the Company, or other sources, becomes available.

Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?

A. Yes, it does.